ASSOCIATION OF AMERICAN RAILROADS

THIRD QUARTER
R&E Series No. 727
(Includes Supplement Covering ICG Special Charge)

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE THIRD QUARTER 1986	1985	PERCENT INCREASE 1986 OVER 1985	FOR THE NINE MONTHS ENDED SEPT. 30 1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE						
FREIGHT	$6,210,893	$6,554,772	D 5.2	$19,120,611	$20,226,295	D 5.5
PASSENGER	29,623	28,813	2.8	82,864	80,080	3.5
PASSENGER RELATED	48	109	D 56.0	141	199	D 29.1
ALL OTHER OPERATING REVENUE	185,084	193,053	D 4.1	569,964	605,418	D 5.9
JOINT FACILITY ACCOUNT	2,394	1,888	26.8	6,843	7,096	D 3.6
TOTAL OPERATING REVENUES	$6,428,042	$6,778,635	D 5.2	$19,780,423	$20,919,088	D 5.4
EXPENSES						
DEPRECIATION-ROAD	$227,623	$242,078	D 6.0	$1,076,916	$717,374	50.1
ALL OTHER WAY AND STRUCTURES	740,294	743,036	D .4	2,283,235	2,356,196	D 3.1
TOTAL WAY AND STRUCTURES	967,917	985,114	D 1.7	3,360,151	3,073,570	9.3
DEPRECIATION-EQUIPMENT	356,098	199,430	78.6	841,386	657,180	28.0
ALL OTHER EQUIPMENT	1,369,810	1,293,463	5.9	3,974,566	4,036,884	D 1.5
TOTAL EQUIPMENT EXPENSE	1,725,908	1,492,893	15.6	4,815,952	4,694,064	2.6
TRANSPORTATION-TRAIN & YARD	2,067,004	2,402,625	D 14.0	6,639,885	7,549,106	D 12.0
TRANSPORTATION-SPEC. SERV. & ADM.	349,150	341,810	2.1	1,056,098	1,062,339	D .6
GENERAL & ADMINISTRATIVE	876,073	675,628	29.7	2,239,331	2,029,955	10.3
TOTAL OPERATING EXPENSES	$5,986,052	$5,898,070	1.5	$18,111,415	$18,409,034	D 1.6
NET REVENUE FROM RAILWAY OPERATIONS	$441,990	$880,565	D 49.8	$1,669,008	$2,510,054	D 33.5
OTHER INCOME	$303,496	$335,514	D 9.5	$853,321	$938,507	D 9.1
DIVIDENDS FROM AFFILIATES	7,224	9,144	D 21.0	24,763	25,213	D 1.8
EQUITY IN UNDISTR.EARN. OF AFFIL.	18,737	11,913	57.3	62,039	30,476	103.6
TOTAL INC. FROM AFFILIATED COS.	25,961	21,057	23.3	86,802	55,689	55.9
MISCELLANEOUS DEDUCTIONS	85,341	52,546	62.4	241,643	201,629	19.8
INCOME AVAILABLE FOR FIXED CHARGES	686,106	1,184,590	D 42.1	2,367,488	3,302,621	D 28.3
FIXED CHARGES						
INTEREST ON FUNDED DEBT	206,962	226,473	D 8.6	644,806	670,109	D 3.8
INTEREST ON UNFUNDED DEBT	13,985	5,738	143.7	17,904	14,127	26.8
AMORT. OF DISCOUNT ON FUNDED DEBT	3,572	2,764	29.2	10,544	8,449	24.8
TOTAL FIXED CHARGES	224,519	234,975	D 4.4	673,254	692,681	D 2.8
INCOME AFTER FIXED CHARGES	461,587	949,615	D 51.4	1,694,234	2,609,940	D 35.1
OTHER DEDUCTIONS	2,880	2,905	D .9	8,720	8,779	D .7
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	0	.0	DR 659,734	0	D .0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	458,707	946,710	D 51.5	1,025,780	2,601,161	D 60.6
INCOME TAXES ON ORDINARY INCOME	139,226	100,394	38.7	343,653	292,994	17.3
PROVISION FOR DEFERRED INC. TAXES	CR 21,360	191,974	D 111.1	CR 122,245	571,599	D 121.4
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	340,841	654,342	D 47.9	804,372	1,736,568	D 53.7
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	.0	0	0	.0
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	.0	0	0	.0
ORDINARY INCOME	$340,841	$654,342	D 47.9	$804,372	$1,736,568	D 53.7
EXTRAORDINARY ITEMS (NET)	$43,142	$32,363	33.3	$98,091	$79,445	23.5
INCOME TAXES ON EXTRAORD. ITEMS	0	0	.0	0	0	.0
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	2,931	D 100.0	0	2,931	D 100.0
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	.0	335,841	0	.0
NET INCOME(AFTER EXTRAORD. ITEMS)	383,983	683,774	D 43.8	566,622	1,813,082	D 68.7
INCOME FROM LEASE OF ROAD & EQUIP	451	404	11.6	1,255	1,186	5.8
RENT FOR LEASED ROADS & EQUIPMENT	10,306	7,343	40.4	22,876	21,396	6.9
NET RAILWAY OPERATING INCOME	$333,979	$595,136	D 43.9	$1,469,221	$1,665,671	D 11.8
CASH FLOW	$884,465	$1,279,911	D 30.7	$2,538,390	$3,652,245	D 30.5
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	93.1	87.0		91.6	88.0	
OPERATING EXPENSES(INC.INC.TAXES)	95.0	91.3		92.7	92.1	
NET RAILWAY OPERATING INCOME	5.2	8.8		7.4	8.0	

RATE OF RETURN ON PROPERTY INVESTMENT[1]

12 MONTHS ENDED SEPTEMBER 30, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$22,193,510	$21,963,145	$ 503,629	$ 1,072,956	2.27%	4.89%
WESTERN DISTRICT	24,043,407	23,567,746	1,124,396	1,076,376	4.68	4.57
UNITED STATES	$46,236,917	$45,530,891	$ 1,628,025	$ 2,149,332	3.52%	4.72%

RAILROAD REVENUES, EXPENSES, AND INCOME
THIRD QUARTER 1986 AND 1985
Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$19,802	$27,403	$20,998	$28,638	$22,200	$28,698	$-1,002	$451	$-1,128	$14
CONRAIL	728,274	741,136	751,758	770,128	647,462	659,261	80,649	98,099	77,704	88,721
CSX TRANSPORTATION [2a]	1,039,066	1,130,850	1,076,226	1,164,253	968,422	996,646	68,529	93,943	88,712	118,178
DELAWARE & HUDSON	19,394	28,055	19,790	28,356	22,147	27,988	-3,241	-32	-2,344	371
ELGIN, JOLIET & EASTERN	10,312	14,525	12,671	20,769	16,513	20,189	-2,058	1,662	-2,472	-84
FLORIDA EAST COAST	26,727	26,318	27,393	26,823	21,615	22,664	4,061	4,400	1,628	820
GRAND TRUNK WESTERN	71,223	77,299	75,027	80,851	74,943	80,203	2,097	-751	1,373	866
ILLINOIS CENTRAL GULF	144,063	189,207	160,690	207,165	553,151	199,243	-231,118	1,049	-225,795	3,561
NORFOLK & WESTERN	367,760	391,863	382,172	408,324	322,257	334,560	65,316	78,721	24,351	22,733
SOUTHERN RAILWAY SYSTEM	393,485	407,264	403,393	416,420	312,937	329,702	55,607	57,116	62,073	60,964
*TOTAL EASTERN DISTRICT	$2,820,106	$3,033,920	$2,930,118	$3,151,727	$2,961,647	$2,699,154	$38,840	$334,658	$24,102	$296,144
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$474,273	$523,072	$484,580	$533,623	$440,728	$485,625	$28,886	$34,782	$34,113	$35,442
BURLINGTON NORTHERN	923,555	981,674	943,953	1,002,337	772,842	786,308	102,860	144,631	109,600	126,110
CHICAGO & NORTH WESTERN	185,504	180,758	211,488	205,285	206,189	192,743	13,145	2,108	4,295	12,394
DENVER & RIO GRANDE WESTERN	69,787	77,185	70,877	78,516	61,422	68,301	5,424	5,841	5,038	6,640
KANSAS CITY SOUTHERN	69,041	76,165	72,466	79,857	60,815	66,232	5,523	7,305	7,319	9,012
MISSOURI-KANSAS-TEXAS	54,095	65,488	56,794	68,350	56,184	64,778	-966	1,240	854	4,102
SOO LINE [2b]	144,633	152,672	150,985	158,266	155,640	158,815	-5,331	-3,687	-1,443	5,172
SOUTHERN PACIFIC CO.	457,575	497,350	475,684	512,672	469,875	508,096	45,694	50,360	22,097	11,855
ST. LOUIS SOUTHWESTERN	90,021	93,853	91,423	95,451	78,103	84,170	8,696	7,011	8,050	7,073
UNION PACIFIC [2c]	922,303	872,635	939,674	892,551	722,607	783,848	98,070	70,093	119,954	81,192
*TOTAL WESTERN DISTRICT	$3,390,787	$3,520,852	$3,497,924	$3,626,908	$3,024,405	$3,198,916	$302,001	$319,684	$309,877	$298,992
TOTAL UNITED STATES	$6,210,893	$6,554,772	$6,428,042	$6,778,635	$5,986,052	$5,898,070	$340,841	$654,342	$333,979	$595,136

RAILROAD REVENUES, EXPENSES, AND INCOME
NINE MONTHS SEPTEMBER 30, 1986 AND 1985
Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$58,293	$83,868	$61,352	$87,671	$67,387	$86,423	$-1,381	$2,530	$-5,813	$1,470
CONRAIL [2a]	2,237,070	2,297,264	2,310,344	2,383,462	2,019,358	2,093,502	231,510	263,009	210,553	223,416
CSX TRANSPORTATION	3,289,879	3,488,631	3,393,780	3,604,014	2,962,213	3,155,865	250,479	283,762	301,701	311,726
DELAWARE & HUDSON	61,957	81,086	63,052	82,315	68,599	84,284	-8,042	-2,457	-5,508	-1,909
ELGIN, JOLIET & EASTERN	38,434	45,637	53,387	65,307	56,889	62,247	401	4,775	-3,381	56
FLORIDA EAST COAST	84,349	84,703	86,565	86,199	67,157	68,667	13,156	17,089	6,375	4,749
GRAND TRUNK WESTERN	232,852	245,265	244,096	255,382	251,243	252,317	6,152	560	-5,007	3,939
ILLINOIS CENTRAL GULF	479,025	617,052	533,308	672,440	892,296	640,015	-209,855	10,154	-194,076	26,377
NORFOLK & WESTERN	1,179,140	1,236,216	1,225,497	1,286,830	984,170	1,013,319	192,047	217,937	116,212	127,710
SOUTHERN RAILWAY SYSTEM	1,240,126	1,254,220	1,268,863	1,284,324	982,764	1,031,207	172,900	154,951	182,769	161,525
*TOTAL EASTERN DISTRICT	$8,901,125	$9,433,942	$9,240,244	$9,807,944	$8,352,076	$8,487,846	$647,367	$952,310	$603,825	$859,059
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$1,433,594	$1,592,150	$1,465,269	$1,625,757	$1,353,599	$1,507,775	$69,381	$95,063	$87,549	$91,265
BURLINGTON NORTHERN	2,763,004	2,995,524	2,826,691	3,059,633	2,779,530	2,453,551	49,436	377,831	70,594	354,092
CHICAGO & NORTH WESTERN	553,474	542,608	629,742	618,399	602,165	598,291	21,544	-8,227	26,714	22,107
DENVER & RIO GRANDE WESTERN	221,129	244,169	224,540	247,972	195,735	219,442	16,497	17,122	16,002	18,442
KANSAS CITY SOUTHERN	213,682	230,372	224,255	241,164	187,709	205,562	19,146	18,258	24,187	24,112
MISSOURI-KANSAS-TEXAS	168,165	196,319	176,568	205,446	171,151	194,071	4,454	-1,746	6,181	6,656
SOO LINE [2b]	444,552	429,550	459,605	443,242	458,397	438,340	-10	-6,632	7,493	17,072
SOUTHERN PACIFIC CO.	1,389,582	1,523,196	1,443,820	1,570,635	1,482,608	1,577,884	43,432	55,174	-15,906	5,375
ST. LOUIS SOUTHWESTERN	263,666	290,009	267,604	294,752	243,016	276,485	17,452	13,531	15,095	10,513
UNION PACIFIC [2c]	2,768,636	2,748,456	2,822,085	2,804,144	2,285,429	2,449,787	-84,327	223,884	627,487	256,978
*TOTAL WESTERN DISTRICT	$10,219,486	$10,792,353	$10,540,179	$11,111,144	$9,759,339	$9,921,188	$157,005	$784,258	$865,396	$806,612
TOTAL UNITED STATES	$19,120,611	$20,226,295	$19,780,423	$20,919,088	$18,111,415	$18,409,034	$804,372	$1,736,568	$1,469,221	$1,665,671

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES
BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700	6 641	6 428		
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040	6 117	5 986		
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402	31	341		
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410	705	334		
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	875 976[p]
1986	219 636	221 527	218 331[p]		
CAPITAL EXPENDITURES					
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	668	1 100			

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FOOTNOTES

1. Rate of Return on Property Investment is calculated on a Depreciation Accounting basis. Net Investment for the year ending September 30, 1986 is estimated using end of year 1985 net investment. Net Investment for year ending September 30, 1985 is estimated using average 1985 net investment.

2. a) CSX Transportation includes what was formerly the Chesapeake & Ohio, the Baltimore & Ohio and the Seaboard System.

   b) The Soo Line includes the Chicago, Milwaukee, St. Paul & Pacific Railroad.

   c) The Union Pacific includes the Union Pacific Railroad, the Missouri Pacific Railroad, and the Western Pacific Railroad.

3. a) The comparability of quarterly trends data is affected by the change, effective first quarter 1984, from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA).

   b) Difference between the sum of quarters and "Total" are due to rounding and year end revisions.

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